

VZCZCXYZ0006
PP RUEHWEB

DE RUEHKB #0934/01 2771412
ZNY CCCCC ZZH
P 031412Z OCT 08 ZDK
FM AMEMBASSY BAKU
TO RUEHC/SECSTATE WASHDC PRIORITY 0096
INFO RUEHAK/AMEMBASSY ANKARA 3033
RUEHAH/AMEMBASSY ASHGABAT 0595
RUEHTA/AMEMBASSY ASTANA 0044
RUEHSI/AMEMBASSY TBILISI 1763
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L BAKU 000934

SIPDIS

E.O. 12958: DECL: 10/03/2018
TAGS: [ENRG](#) [PREL](#) [RS](#) [TN](#) [AJ](#)
SUBJECT: AZERBAIJAN: DEPUTY MAJLIS SPEAKER SHOWS IRE WITH
THE EUROPEANS, RECOMMENDS USG PROMOTION OF NEW TURKMENISTAN
PETROCHEMICAL INDUSTRY

REF: A) BAKU 880 B) BAKU 860

Classified By: JOEL R. GARVERICK, REASON 1.5 (B AND D)

Summary

1. (C) During a discussion with DAS Bryza, Deputy Parliament Speaker and Head of the Parliament's Energy Committee Valeh Aleskerov complained about alleged European cultural arrogance and lack of strategic vision, citing recent developments in Azerbaijan-European Euro-Integration negotiations and the proposed Nabucco gas pipeline as prime examples. Aleskerov claimed that Azerbaijan's bilateral relationship with Turkmenistan has significantly improved over the past year, and was guardedly optimistic that, with a reconceived USG strategic effort, the GOT can be shifted in a positive commercial direction, and at least partially weaned off Russia. For example, Turkmenistan should be encouraged to develop a petrochemical industry for export to China, thereby absorbing gas that would otherwise go to Gazprom, and enhancing Turkmenistan's economic and commercial strength and independence. He sketched out a notional plan for a USTDA feasibility study, followed by an approach to the GOT by an American energy company or consortium, and offered his personal assistance as a go-between in selling this notion to the Turkmen. End Summary.

Ire Over European Parliament Negotiations

2. (C) Visiting EUR DAS Matthew Bryza met in Baku on October 1 with Valeh Aleskerov, Deputy Speaker of Azerbaijan's Parliament, and former long time Vice President in charge of international relations for Azerbaijan's state oil company, SOCAR. Aleskerov noted that he is deeply involved in Azerbaijan's "Euro-Integration" negotiations with the European Union, which has a European/Azerbaijan Parliament component. Aleskerov said that he had just received the latest draft from the EU of the proposed final statement for the upcoming October Brussels joint meeting, which he noted "says nothing about (our rights of) sovereignty, territorial integrity, and international borders," but merely reiterates boilerplate-type diplomatic language to the effect that "the parties agree to resolve all conflicts peacefully." (Note: these comments refer to Azerbaijan's "Nagorno-Karabagh" conflict with Armenia. End Note.)

3. (C) Aleskerov also complained about language in the draft statement requiring Azerbaijan to "guarantee the rights of its national minorities." While suggesting that language on "ethnic" (vice national) minorities might be acceptable, he attacked the "national minority" formula as a kind of poison pill that, if adopted, could encourage conflict between

ethnic groups in this country made up of dozens of ethnicities, setting the stage for future "ethnic cleansing."

Aleskerov called the European approach hypocritical and culturally arrogant: "where are the "national minority rights" of the Corsicans, the Bretons, and the Basques?" he sputtered. Aleskerov concluded his lengthy expostulation by stressing that the GOAJ does not desire any USG assistance on this issue - "we will deal with the Europeans ourselves," he said. (Note: the term "national minority" in the ex-Soviet context implies an array of potential educational, legal, and cultural rights, that can include separate schools, percentages of government jobs, translation of all government documents into "national minority" tongues, cultural subsidies, etc. End Note).

Nabucco - Another Issue with Europe

¶4. (C) Aleskerov called the Nabucco pipeline issue "another big problem in our relations with Europe." He claimed that that the Europeans are constantly "asking us about Nabucco." "They say - 'how can you convince us that you have enough gas?' - we could if they were geologists." Aleskerov claimed that the Europeans lack strategic vision, and are still reluctant to displease Russia on energy, and have done nothing to acknowledge Azerbaijan's commercial interests in a notional Nabucco deal, or to help resolve Azerbaijan's continuing gas transit impasse with Turkey. Aleskerov asserted that if the Europeans have their way, Azerbaijan will be nickled and dimed to death via the various individual transit countries gas take off, taxes, and other costs so that at the end of the day it realizes little or no profit from the project. "They are just assuming that eventually

the U.S. will force us and Turkey to cooperate (with the project), despite our concerns," he claimed. "We don't care," he shrugged - we can sell our gas South or North (i.e., to Russia or Iran) - within three years the Russians will screw them (the Europeans), and they will come running."

¶5. (C) Aleskerov acknowledged that a "take or pay" contract for Azerbaijani gas at market prices remains a key goal, but evaded Bryza's efforts to make him provide details or spell out more specifically on what else the GOAJ wants the Europeans - or us - to do at this point. Bryza told Aleskerov that we share his frustrations with the lassitude and lack of realism of some of the Europeans - nonetheless, many in Washington recognize that our shared strategic goals and energy independence are too important to risk over our frustration. Despite the current weakness and lack of foresight of some parties, we will continue to remain active and work constructively towards a solution.

Azerbaijan-Turkmenistan Relations Are Improving

¶6. (C) Aleskerov claimed that "official and unofficial" relations between Azerbaijan and Turkmenistan have improved over the last year, which he attributed in part to the passing of the late President of Turkmenistan, Niyazov, as well as to dogged efforts by GOAJ officials over the last several years. He depicted the recent Azerbaijan-Turkmenistan Trans-Caspian Conference (reftels) as a minor triumph, claiming that the conference itself was largely a mask for significant behind the scenes bilateral relationship-building. In this context, Aleskerov expressed guarded optimism that a window has also opened for influencing GOT economic and strategic thinking generally, and reducing its current economic dependence on, and fear of, Russia.

Time for Strategy, not Tactics, on Turkmenistan Gas...

¶7. (C) Aleskerov asserted that over the past few years the USG and Western energy companies have gradually drifted away

from a strategic towards a more "tactical" vision of Turkmenistan's energy. As an example, he said that merely facilitating the expansion of gas production by the GOT "will do nothing but create more gas for Gazprom to monopolize." A more effective strategy, he opined, would be to direct the Turkmen towards utilizing this gas to help create a domestic petrochemical industry. Asserting that "China is ready to buy even three times" the maximum probable output of such an industry, he claimed that its existence could potentially produce far more jobs, better and more comprehensive economic infrastructure, technology transfer, and larger commercial profits for Turkmenistan than mere expansion of its energy production can do. He added that a large Turkmen petrochemical industry would "mop up" much of Turkmenistan's gas, diverting it from the Russian market. This in turn, he argued, will help propel Gazprom and Russia away from their current addiction to cheap second-country sources, and towards increased domestic energy investment, and ultimately, more normal integration into the world economy.

Through Building a Turkmenistan Petrochemical Industry

18. (C) Gathering steam, Aleskerov sketched out a possible methodology for turning this concept into a reality. As a first, he suggested, the U.S. Trade Development Agency (USTDA), or a similar institution, should underwrite a comprehensive feasibility study studying the commercial and economic viability of developing a large scale Turkmen petrochemical industry, cost and benefit criteria, etc. Then, if the feasibility study is promising (as Aleskerov assumed it would be), "private U.S. company A" should make presentations to key Turkmenistan officials to help persuade them to launch this venture, with support of the U.S. company, and/or an international consortia that it might assemble. Aleskerov stressed that that this presentation should be short and to the point, illustrating the economic/commercial benefits, and driving home to the Turkmen that "this is their opportunity, their moment" to obtain far greater returns and true economic independence.

19. (C) Aleskerov strongly recommended that (apart from USTDA's notional involvement) the USG stay behind the scenes in this effort, allowing private companies to take the lead

in public. Among other considerations, he opined that a discreet USG approach would be helpful in providing cover to the GOT in resisting probable Russian countervailing pressure. Meanwhile, Aleskerov argued that we should concurrently help the Turkmen guide those new gas resources in "appropriate" directions - their Western gas (e.g., Block A) should move West to Europe, and their eastern gas should move East - to China and/or India. Aleskerov added that he was willing to personally assist any U.S. companies in making contact and reaching out to appropriate GOT officials for the purpose of exploring this proposal.

10. (U) DAS Bryza approved this cable.
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